

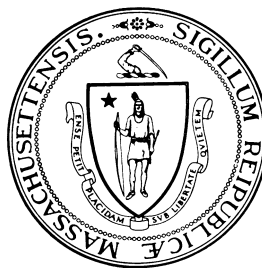
*Massachusetts Division of Health Care Finance and Policy*

# Uncompensated Care Pool PFY04 Annual Report

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October 2005

**Paul J. Cote, Jr., Commissioner**



Mitt Romney, Governor  
Commonwealth of Massachusetts

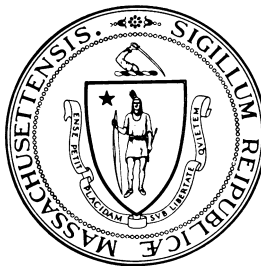
Timothy Murphy, Secretary  
Executive Office of Health and Human Services



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**Uncompensated Care Pool PFY04 Annual Report**

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# A Word About the Division

## **Satisfying the Need for Health Care Information**

The effectiveness of the health care system depends in part upon the availability of information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division publishes reports that focus on various health care policy and market issues.

**T**he Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that reimburses Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured people.

## **Mission**

To improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts. Agency goals:

- Assure the availability of relevant health care delivery system data to meet the needs of health care purchasers, providers, consumers and policy makers;
- Advise and inform decision makers in the development of effective health care policies;
- Develop health care pricing strategies that support the cost effective procurement of high quality services for public beneficiaries; and
- Improve access to health care for low-income uninsured and underinsured residents.

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# Utilization

## Introduction

Pursuant to Chapter 149 of the Acts of 2004, the Division of Health Care Finance and Policy (the Division) submits quarterly and annual reports on the demographics and utilization patterns of individuals whose medical care is paid for by the Uncompensated Care Pool (UCP or 'the Pool'). This annual report covers Pool activity during Pool Fiscal Year 2004 (PFY04) from October 1, 2003, through September 30, 2004, and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Analyses of the utilization patterns of Pool users are based on claims for services billed to the Pool by each acute care hospital and community health center (CHC) in Massachusetts. Demographic information is taken primarily from free care applications used by these facilities to determine eligibility and then submitted to the Division. Total charges and allowable free care costs are based on monthly reports submitted to the Division by each hospital and CHC. The most recently available data are used in all cases. See Data Notes for further information on the data used in these analyses.

This report looks at three components of Pool activity during the four quarters of PFY04:

*Pool Utilization Statistics*, including the number of individuals whose medical expenses were billed to the Pool, the volume of services provided to Pool users, and the costs to the Pool of that care;

*Pool User Demographics*, including the volume of services and costs by age, gender, family income, and family size; and

*Services Billed to the Pool*, including details on the types of services received by Pool users, inpatient and outpatient volume and costs by age and gender, type of inpatient admission, top reasons for care, and average costs for inpatient discharges and outpatient visits.

## Uncompensated Care Pool Overview

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and CHCs to eligible low-income uninsured and underinsured individuals. In addition, the Pool reimburses hospitals for emergency services for uninsured individuals from whom the hospitals are unable to collect payment (these are known as emergency bad debt charges or ERBD). The Pool is always the payer of last resort on any claim. If an individual is uninsured, the Pool is the primary and only payer. However, if another public or private insurer is the primary payer, the Pool can be charged for the balance of charges for which

the eligible individual is responsible. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3100, or visit [www.mass.gov/dhcfp](http://www.mass.gov/dhcfp).

Beginning in PFY04, the UCP payment method for hospitals changed from a retrospective fee-for-service system to a prospective fixed-payment system. Under the new system, acute care hospitals are paid a pre-determined amount from the Pool each month based in part on historical free care costs. CHCs continue to be paid on a fee-for-service basis up to an annual cap that is set for total CHC expenditures. See the appendix of this report for comprehensive financial information on the Pool.

## Pool Utilization Statistics

### Number of Individuals Using the Pool

In PFY04, medical expenses for an estimated 456,357 individuals were billed to the Pool, representing a 12% growth in Pool users over PFY03. In PFY03, medical expenses for 407,606 individuals were billed to the Pool.

The Division estimates that 481,564 individuals will have used Pool services during PFY04, an 18% increase over PFY03.

The final number is expected to increase due to claims reporting delays.

### Allowable Costs Billed to the Pool

During PFY04, hospitals billed approximately \$684.9 million in projected allowable free care costs to the Pool, a 19% increase over the \$577.9 million billed to the Pool in PFY03. Costs in PFY04 continued the general upward trend observed since the beginning of PFY03 (see Figure 1A). The apparent decrease in Pool costs for PFY04 Q1 may have been primarily caused by an increase in services billed to the Pool during the final quarter of PFY03.

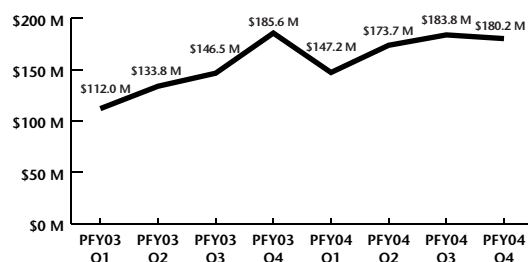
CHCs received \$36.9 million during PFY04. This represents a 29% increase over the \$28.7 million in payments made to CHCs during PFY03 (see Figure 1B).

### Volume of Services Provided

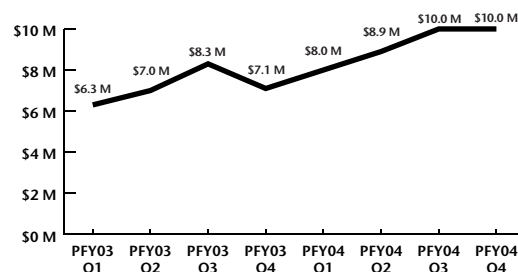
Table 1 summarizes the volume and costs of services billed to the Pool during PFY04. As in PFY03, inpatient discharges represented a small percentage (3%) of service volume, but a large percentage (34%) of allowable free care costs. In contrast, hospital outpatient visits (including visits to hospital-licensed health centers) accounted for 84% of services provided and 61% of

**Figures 1A and 1B: Costs and Payments (in millions)**

**Hospital-Projected Allowable Costs by Quarter, PFY03-PFY04**



**CHC Payments by Quarter, PFY03-PFY04**



**Table 1: Total Service Volume and Costs by Hospital and CHC, PFY04**

	Service Volume	Percent of Total Volume	Allowable Costs to the Pool	Percent of Total Costs
Total Inpatient Discharges	47,553	3%	\$246,566,368	34%
Total Outpatient Visits*	1,813,336	84%	\$438,340,209	61%
Total Hospital Discharges/Visits**	1,860,889	87%	\$684,906,577	95%
CHC Visits	289,875	13%	\$36,877,295	5%
Total Hospital and CHC Volume	2,150,764	100%	\$721,783,872	100%

\* Outpatient Visits include visits to hospital outpatient departments and hospital-licensed community health centers.

\*\* 87% of the service volume and 83% of costs were for regular free care services; 13% of service volume and 17% of costs were for emergency bad debt services (ERBD).

costs. The remaining 13% of services and 5% of costs were for services delivered at free-standing CHCs.

Hospital services provided to individuals who had applied for and been determined eligible for free care accounted for 87% of all services and 83% of allowable hospital costs billed to the Pool. The remaining 13% of hospital services and 17% of allowable costs were for uncollectible emergency bad debt (ERBD) services. These percentages remained unchanged compared with PFY03.

### Pool User Demographics

In PFY04, the demographic characteristics of Pool users remained essentially unchanged from the previous year, with the majority of Pool users being uninsured, single, childless adults ages 19 to 64, with very low incomes.

#### *Insurance Status of Pool Users*

The vast majority of Pool users were uninsured; 88% of all medical services billed to the Pool and 92% of costs were for individuals who reported having no insurance, and for whom the Pool was the primary and only payer. As such, the Pool paid for all medically necessary services for these uninsured individuals. The remainder of the Pool user population was covered by other public or private insurance, but

the Pool was billed for any uncovered services, copayments, and deductibles. For this underinsured population, MassHealth was the primary payer for 2% of service volume and 4% of costs billed to the Pool; Medicare was the primary payer for 5% of services and 1% of costs, and other commercial and government programs were the primary payers for 5% of services and 3% of costs (see Figures 2A and 2B).

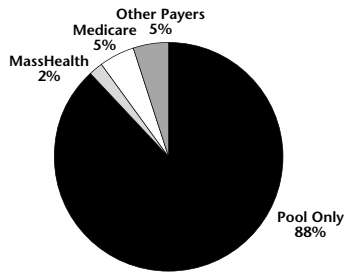
When Medicare or other payers were the primary payers, costs to the Pool represented a slightly lower percentage of total costs than of service volume. This difference reflects the fact that when the Pool is the only payer, it is billed for all medically necessary services, but when other payers are primary, the Pool is billed only for uncovered services, copayments, and deductibles, which are likely to be much lower in cost.

#### *Utilization Patterns by Gender*

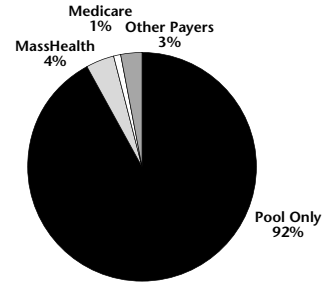
As in previous years, men in the Pool used fewer services than women (42% of services billed to the Pool were for men versus 58% for women), but generated more hospital costs (52% for men versus 48% for women) (see Figures 3A and 3B). This difference reflects a variation in utilization patterns: men are more likely than women to receive inpatient hospital care, which accounts for higher costs to the Pool, while women more typically receive outpatient services (see also Figures 7A and 7B).

## Figures 2A and 2B: Primary Payer

Percent of Total Service Volume  
by Primary Payer, PFY04



Percent of Total Hospital Pool Costs  
by Primary Payer, PFY04



### Utilization Patterns by Age

The Pool primarily pays for services for non-elderly adults. Young adults ages 25 to 44 received the largest percentage of services (38%), while the entire non-elderly population ages 19 to 64 received 82% of the total service volume (see Figure 4A). The distribution of hospital costs by age shows this same pattern (see Figure 4B).

### Utilization Patterns by Income

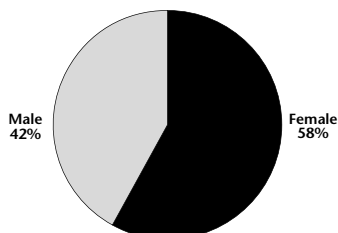
The majority of Pool users were low-income, single adults (see Figures 5A and 6A). Three-quarters (75%) of services billed to the Pool were for individuals with incomes

less than 200% FPL, who were thereby eligible for full free care. Interestingly, Pool users with no income accounted for only 23% of service volume, but represented 32% of allowable hospital free care costs (see Figures 5A and 5B); as a group, they were more costly than other Pool users. This same pattern was also observed in PFY03.

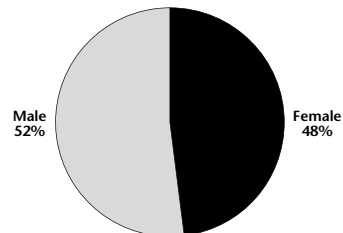
In contrast, the group of Pool users with family incomes between 101% and 200% FPL was less costly and accounted for 33% of claims, but for only 25% of costs. ERBD claims were also relatively costly, accounting for 13% of service volume, but 17% of costs.

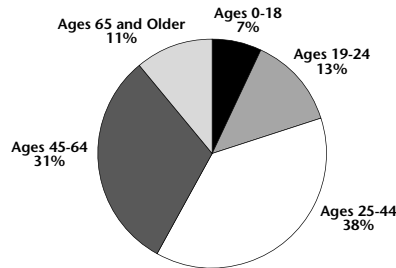
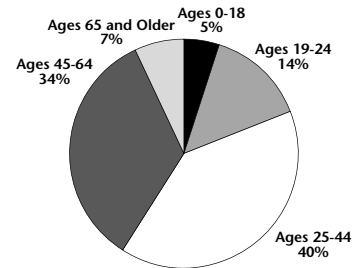
## Figures 3A and 3B: Gender of Patient

Percent of Total Hospital Service Volume  
by Gender of Patient, PFY04



Percent of Total Hospital Costs  
by Gender of Patient, PFY04



**Figures 4A and 4B: Age of Patient****Percent of Total Hospital Service Volume  
by Age of Patient, PFY04****Percent of Total Hospital Costs  
by Age of Patient, PFY04****Utilization Patterns by Family Size**

Over two-thirds (68%) of service volume and costs to the Pool were for one- or two-person families. Fifty-three percent of all services were for single, childless adults, and another 15% were for two-person families comprised of two adults, or an adult and child.

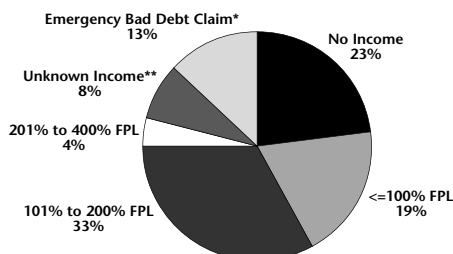
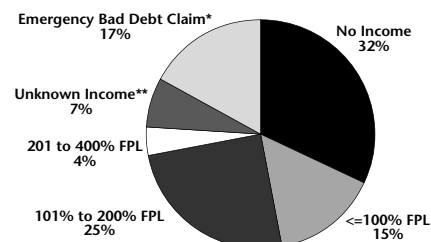
**Utilization Patterns of the Pool  
Population: Services Billed to the Pool**

Except where noted, the utilization patterns of the Pool population for PFY04 remained unchanged from patterns observed in PFY03.

**Hospital Utilization by Gender**

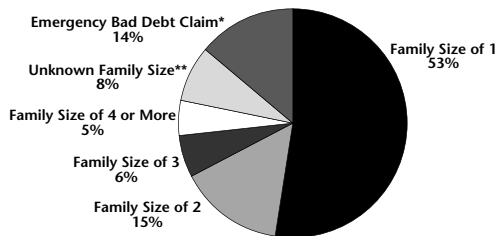
Similar to patterns observed in previous years, utilization of inpatient and outpatient services differed dramatically for men and women during PFY04. Fifty-eight percent (58%) of all inpatient services were for men, while 58% of outpatient services (including care in outpatient clinics and hospital-licensed CHCs) were for women (see Figure 7A).

The inpatient care for men accounted for 64% of inpatient costs billed to the Pool, or approximately \$157.8 million, while inpatient care for women accounted for 36% of inpatient costs, approximately \$88.8 mil-

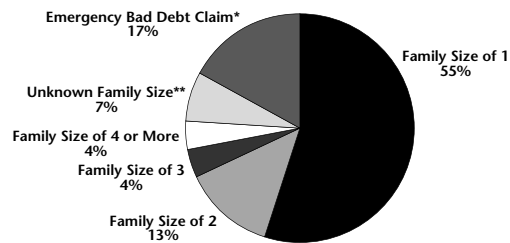
**Figures 5A and 5B: Reported Family Income****Percent of Total Hospital Service Volume  
by Family Income, PFY04****Percent of Total Hospital Costs  
by Family Income, PFY04**

## Figures 6A and 6B: Patient Family Size

Percent of Total Hospital Service Volume  
by Patient Family Size, PFY04



Percent of Total Hospital Costs  
by Patient Family Size, PFY04



lion. In contrast, outpatient care for women accounted for over half (54%) of outpatient costs, approximately \$236.7 million, while outpatient care for men accounted for the remainder (46%), approximately \$201.6 million (see Figure 7B and Table 1).

### Hospital Utilization by Age

Pool users ages 25 to 44 received the most care of any age group in both hospital inpatient and outpatient settings, and generated the highest percentage of costs. However, the inpatient care for Pool users ages 45 to 64 was disproportionately expensive: services for this group accounted for 29% of

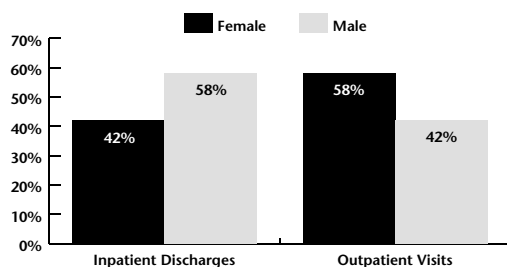
inpatient discharges, but 37% of inpatient costs (see Figures 8A and 8B).

### Type of Admission

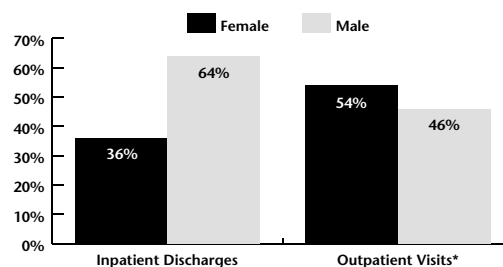
Eighty-six percent of inpatient hospital services were for emergency or urgent care; slightly less than two-thirds (61%) of these services were for emergency care, and one quarter (25%) were for urgent care. An additional 11% were for scheduled (coded as “elective”) procedures (see Figure 9A). Emergency admissions tended to be slightly more expensive and made up a larger percentage of total allowable free care costs than of volume; these admissions accounted

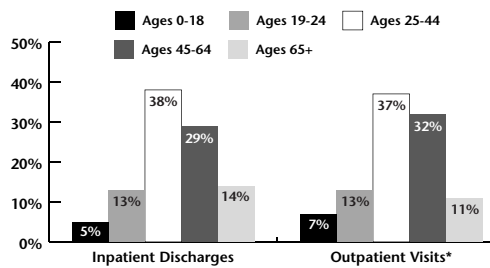
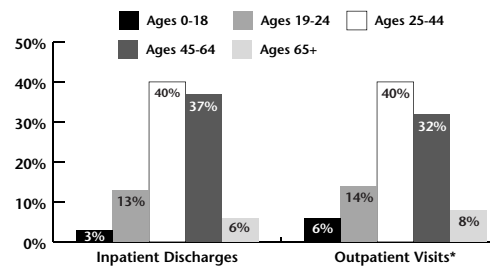
## Figures 7A and 7B: Claim Type and Gender

Percent of Discharges and Visits\*  
by Claim Type and Patient Gender, PFY04



Percent of Costs to the Pool  
by Claim Type and Patient Gender, PFY04



**Figures 8A and 8B: Claim Type and Patient Age****Percent of Discharges and Visits  
by Claim Type and Patient Age, PFY04****Percent of Costs to the Pool  
by Claim Type and Patient Age, PFY04**

for 66% of costs and 61% of volume (see Figure 9B).

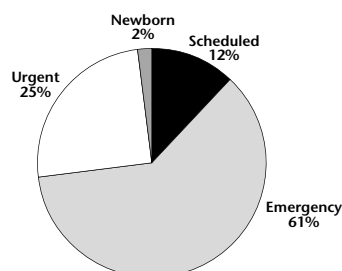
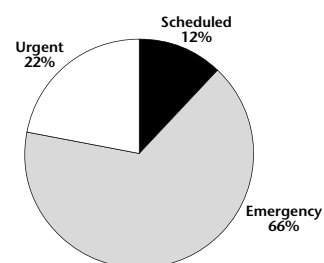
***Top Reasons for Inpatient Discharges***

In PFY04, the two most common diagnoses for inpatient care were circulatory disorders and alcohol/drug related disorders: 27% of services and costs were attributable to these MDCs (see Table 2 on page 8). Inpatient discharges for mental health and substance abuse related disorders continued to be prevalent within the Pool user population. In PFY03, there were 7,432 discharges within the categories of alcohol/drug related disorders and

mental diseases and disorders; in PFY04, there were 10,329 discharges for these diagnoses, representing a 39% increase over PFY03.

***Top Reasons for Outpatient Visits***

Outpatient pharmacy services represented the largest proportion of outpatient volume (23%), and generated 11% of outpatient costs in PFY04 (see Table 3 on page 8). These were bills for outpatient pharmacy services only; when pharmacy services occurred along with other outpatient services, the bill was grouped under the primary service provided.

**Figures 9A and 9B: Admission Type****Percent of Inpatient Discharges  
by Admission Type, PFY04****Percent of Costs to the Pool  
by Inpatient Admission Type, PFY04**

**Table 2: Top Inpatient Major Diagnostic Categories for Free Care Patients by Percent of Volume and Cost to the Pool, PFY04**

MDC	Percent of Total Inpatient Discharges	Percent of Total Inpatient Costs
Circulatory Diseases and Disorders	14%	15%
Alcohol/Drug Use & Induced Organic Mental Disorders	13%	12%
Mental Diseases & Disorders	10%	9%
Digestive Diseases and Disorders	10%	9%
Respiratory Diseases and Disorders	9%	7%
Musculoskeletal Diseases and Disorders	6%	7%
Nervous System Diseases and Disorders	5%	7%
Hepatobiliary Diseases and Disorders	4%	6%
Pregnancy, Childbirth, and the Puerperium	4%	2%
Kidney and Urinary Tract Diseases and Disorders	3%	3%
<b>Total for Top MDCs</b>	<b>78%</b>	<b>77%</b>

***Average Cost per Inpatient Discharge and Outpatient Visit***

The average costs for inpatient discharges and outpatient visits were slightly higher in PFY04 than in PFY03: approximately \$5,500 per inpatient discharge, and about \$250 per outpatient visit (see Table 4).

**Data Notes**

Data used in this analysis were drawn from the following sources:

***Monthly Reports from Hospitals and CHCs***

Each month, hospitals and CHCs report their free care charges to the Division of Health Care Finance and Policy. Hospitals utilize the uncompensated care form and CHCs use the PV form. The uncompensated care form is an aggregation of monthly hospital charges; the PV form details monthly visit activity for CHCs as well as certain charge activity. The uncompensated care forms are matched to each hospital's sub-

**Table 3: Outpatient Ambulatory Patient Groups (APGs) for Free Care Patients by Percent of Total Visits and Costs, PFY04**

APG	Percent of Total Visits	Percent of Total Costs
Pharmacy	23%	13%
Pulmonary Tests	5%	11%
Simple Gastrointestinal Diseases	2%	3%
Individual Comprehensive Psychotherapy	3%	1%
Gynecologic Diseases	2%	2%
Counseling or Individual Brief Psychotherapy	2%	2%
Simple Musculoskeletal Diseases, except Back Disorders	2%	1%
Upper Respiratory Infections, Ear, Nose and Throat Infections	2%	1%
Skin Diseases	2%	1%
Hypertension	2%	1%
<b>Total for Top APGs</b>	<b>45%</b>	<b>36%</b>



**Table 4: Average Charge per Inpatient Admission and Outpatient Visit, PFY04 including Comparison Cost Data from PFY03**

	Number PFY04	Hospital Costs to the Pool PFY04	Average Cost PFY04	Average Cost PFY03
Inpatient Discharges	47,553	\$260,148,142	\$5,471	\$5,107
Outpatient Visits	1,813,336	\$462,485,586	\$255	\$238
Total Inpatient Discharges/ Outpatient Visits	1,860,889	\$722,633,728	\$388	\$369

mitted claims collected in DHCFP's Uncompensated Care Pool claims database.

#### ***Pool Claims Database***

Hospitals and CHCs began electronic submission of claims to the Division of Health Care Finance and Policy in March 2001. During PFY03, DHCFP began withholding payments from hospitals with incomplete data. As a result, compliance with data submission requirements has improved dramatically, and although variability exists among providers, the charges to the Pool reported in the claims database equal approximately 92% of the charges reported by hospitals on the monthly uncompensated care charge statements they submit to DHCFP.

#### ***Pool Applications Database***

Hospitals and CHCs began to submit electronic free care application forms to DHCFP in October 2000. Note that the application contains data as reported by the applicant. Documentation of income and

residency is required; hospitals and CHCs review and maintain the documentation.

#### ***Matched Pool Applications and Claims Database***

To the extent possible, DHCFP matches free care claims to the corresponding free care application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

To date, approximately 91% of free care claims have been matched to applications. A certain small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after a free care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

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# Financing

## Sources of Funds

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. In some years additional Pool funding has come from other sources. Table 5 summarizes the sources and

amounts of funding available to the Pool in PFY04. Detailed information about these funding sources follows.

### *Hospital Assessments*

The total amount paid by all hospitals into the Pool is established by the legislature. The FY04 state budget established a total hospital assessment of \$157.5. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform percentage. The uniform percentage is calculated by dividing the total assessment (\$157.5 million) by the total private sector charges from all hospitals statewide, and is currently approximately 1.265% (see Table 8 for each hospital's annual Assessment liability to the Pool). Since each hospital's liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool.

**Table 5: Uncompensated Care Pool Funding**

Statutory Funding	PFY04
Hospital Assessment	\$157,500,000
Surcharge Collections	\$157,500,000
General Fund Contribution	\$140,000,000
<b>Other Funds</b>	
General Fund Transfer <sup>1</sup>	\$35,000,000
Prior Year UCP Balance	\$28,000,000
Transfer of FFP pursuant to the Jobs and Growth Relief Act of 2003 <sup>2</sup>	\$55,000,000
Supplemental Budget Appropriation to CHCs	\$3,000,000
Portion of Surplus Expended from PFY 1998, 1999 Settlements	\$6,742,774
<b>Total Funds Available for Uncompensated Care</b>	<b>\$582,742,774</b>

<sup>1</sup> Pursuant to Chapter 26 of the Acts of 2003, section 618

<sup>2</sup> Pursuant to Chapter 26 of the Acts of 2003, section 619

### ***Surcharge Collections***

The total amount to be collected via the surcharge is also established by the Massachusetts legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce the total amount specified by the legislature. For PFY04, that amount equals \$157.5 million. If the Division collects more than \$157.5 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 2.15% for PFY02, 1.85% for PFY03 and 3.25% for PFY04.

Over 1,300 registered surcharge payers are currently making and reporting monthly payments to the Pool. Table 6 below lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy that are analyzed to ensure that surcharge payers are paying appropriate surcharge amounts. For example, hospitals and ambulatory surgical centers report possibly unregistered payers so that the Division may initiate appropriate follow-up.

### ***General Fund***

Each year the Commonwealth also makes a General Fund contribution to the UCP. This amount is a portion of the federal matching funds (FFP) generated by the Pool. In prior years, this amount typically ranged from \$30 million to \$45 million. In PFY04 the total General Fund contribution was \$140 million and additional UCP funding sources totaled \$121 million.

### ***Additional Funding for Uncompensated Care***

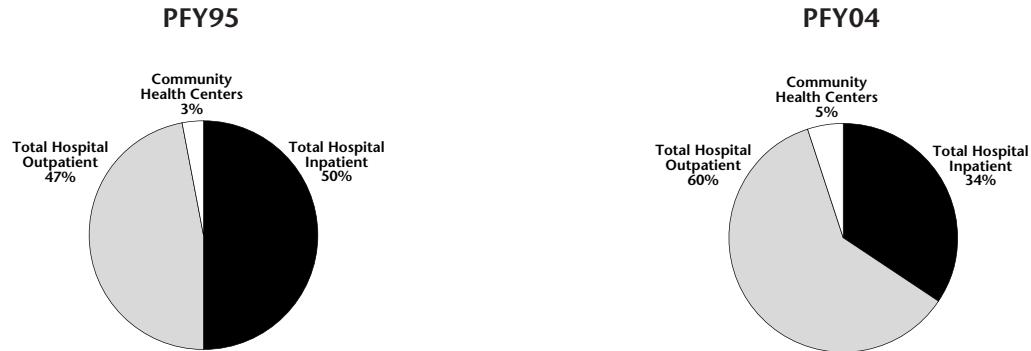
Since state FY98, the Commonwealth has been able to access additional funding through a supplemental payment. Between FY98 and PFY03 these supplemental payments totaled \$70 million annually.

In PFY04 supplemental payments increased to a total of \$120 million. These funds are paid by MassHealth to Boston Medical Center (\$59.3 million) and Cambridge Health Alliance (\$60.7 million) at the beginning of the state fiscal year. Uncompensated care provided by these two hospitals is funded first from the supplemental

**Table 6: Surcharge Collections**

Surcharge Payer	Collections PFY04	Percent to Total PFY04
BCBS Massachusetts	\$66,814,336	42%
HPHC	\$20,767,816	13%
Tufts HMO	\$15,782,725	10%
Aetna	\$3,991,052	2%
Total Health Plan	\$6,286,313	4%
Connecticut General Life	\$6,731,837	4%
Unicare Life & Health	\$4,253,354	3%
United Health Care	\$1,826,022	4%
Fallon Community Health Plan	\$1,758,083	2%
Health New England	\$1,409,988	2%
All Others	\$23,100,576	14%
<b>Total</b>	<b>\$160,274,561</b>	<b>100%</b>

Note: Surcharge percentage in effect: 3.25%

**Figures 10A and 10B: Uncompensated Care Payments**

payment and the remainder is charged to the Pool.

**Uses of Funds**

Figures 10A and 10B summarize the distribution of funds for uncompensated care to hospitals for inpatient services, to hospitals for outpatient services, to CHCs, and to the Pool demonstration projects. They also show the shift in payments for inpatient and outpatient care, as hospitals have shifted to providing more care in outpatient settings. Tables 7, 8, 9, and 10 provide additional detail on payments made from the Pool.

***Uncompensated Care Pool Hospital Payment Calculation: Charges***

The annual payment calculation is based on hospital charge data. Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full uncompensated care, partial uncompensated care, medical hardship, and emergency bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial uncompensated care and medical hardship together make up approximately 1.7% of the Pool, and are included in Table 7 under "Uncompensated Care."

***PFY04 Uncompensated Care Pool Hospital Payment Calculation***

As shown in Table 8, each hospital's annual assessment (column C) is based on its private sector charges (column A), which it reports to the Division. On a periodic basis, the Division calculates a uniform percentage sufficient to generate \$157.5 million in annual Pool funding. This percentage is currently 1.265% (column B).

Prior to PFY04 each hospital was paid for its uncompensated care based on its reasonable costs and the availability of funding. In PFY04 a new prospective payment system was implemented, such that the final payment amount for each hospital is calculated and fixed prior to the start of the new Pool year. The prospective payments for PFY04 were calculated using Total Uncompensated Care Charges (column D) derived from hospitals' Uncompensated Care Reports (May-September PFY02, October-April PFY03). Each base period was adjusted by a growth factor of 10% as described below.

Hospitals PFY02 May through September charges were multiplied by 10% then added to PFY03 October through April charges to project PFY03 charges. Projected PFY03 charges were multiplied by 10% to project PFY04 charges, with two exceptions:

*continued on page 23...*

**Table 7: Uncompensated Care Charges for PFY04**

Hospital	Inpatient Emergency Bad Debt	Inpatient Uncompensated Care	Total Allowable Inpatient Uncompensated Care	Outpatient Emergency Bad Debt
Anna Jaques Hospital	381,964	1,861,626	2,243,590	1,178,893
Athol Memorial Hospital	5,412	253,014	258,426	427,193
Baystate Medical Center	781,608	20,770,167	21,551,775	3,987,474
Berkshire/Hillcrest	535,625	6,321,265	6,856,890	1,931,984
Beth Israel Deaconess Med Ctr	121,841	133,324	255,165	157,261
Beth Israel Deaconess - Needham	8,411,653	18,516,647	26,928,300	3,904,222
Boston Medical Center	4,894,981	65,406,442	70,301,423	19,595,463
Brigham & Women's Hospital	5,700,821	41,533,681	47,234,502	3,535,812
Brockton Hospital	1,467,421	6,259,555	7,726,976	5,469,764
Cambridge/Somerville Hospital	4,463,516	55,856,864	60,320,380	10,212,545
Cape Cod Hospital	2,451,289	4,534,344	6,985,633	3,327,803
Caritas Norwood	763,991	1,842,143	2,606,134	1,646,751
Carney Hospital	1,026,976	3,706,386	4,733,362	2,086,401
Children's Hospital	1,818,489	4,694,390	6,512,879	1,630,523
Clinton Hospital	33,714	876,468	910,182	439,435
Cooley Dickinson Hospital	119,132	1,901,133	2,020,265	907,826
Dana-Farber Cancer Institute	-	530,431	530,431	-
Emerson Hospital	394,598	1,812,692	2,207,290	329,595
Essent Health / Merrimac Valley	370,288	859,435	1,229,723	1,717,985
Fairview Hospital	42,440	363,006	405,446	355,903
Falmouth Hospital	633,384	718,784	1,352,168	1,728,578
Faulkner Hospital	1,296,291	2,971,323	4,267,614	2,060,490
Franklin Medical Center	195,394	2,282,287	2,477,681	747,891
Good Samaritan Medical Center	436,398	4,524,191	4,960,589	2,723,074
Hallmark Health	792,052	2,633,666	3,425,718	2,990,720
Harrington Memorial Hospital	175,414	1,227,424	1,402,838	524,164
Health Alliance	955,660	2,245,912	3,201,572	1,473,957
Henry Heywood Memorial Hosp.	600,953	1,352,331	1,953,284	1,447,704
Holy Family Hospital	1,433,915	4,315,678	5,749,593	2,472,072
Holyoke Hospital	141,444	1,942,124	2,083,568	1,275,070
Hubbard Regional Hospital	111,345	134,801	246,146	1,183,278
Jordan Hospital	600,122	1,582,841	2,182,963	2,137,485
Kindred-Boston	-	103,572	103,572	-
Kindred-North Shore	-	-	-	-
Lahey Clinic Hospital, Inc.	2,051,298	3,542,849	5,594,147	1,411,361
Lawrence General Hospital	986,170	4,496,960	5,483,130	4,534,123
Lowell General Hospital	494,960	2,261,034	2,755,994	1,910,081
Marlborough Hospital	61,545	1,573,147	1,634,692	1,623,221
Martha's Vineyard Hospital	8,645	345,015	353,660	879,192
Mary Lane Hospital	81,095	408,548	489,643	555,902

Uncompensated Care Pool PFY04 Annual Report

Outpatient Uncompensated Care	Total Allowable Outpatient Uncompensated Care	Net Total Emergency Bad Debt	Net Total Uncompensated Care	Total Uncompensated Care Charges
758,771	1,937,664	1,560,857	2,620,397	4,181,254
737,933	1,165,126	432,605	990,947	1,423,552
10,192,788	14,180,262	4,769,082	30,962,955	35,732,037
4,337,995	6,269,979	2,467,609	10,659,260	13,126,869
229,096	386,357	279,102	362,420	641,522
34,519,334	38,423,556	12,315,875	53,035,981	65,351,856
260,510,906	280,106,369	24,490,444	325,917,348	350,407,792
33,833,673	37,369,485	9,236,633	75,367,354	84,603,987
11,356,917	16,826,681	6,937,185	17,616,472	24,553,657
100,003,534	110,216,079	14,676,061	155,860,398	170,536,459
5,018,245	8,346,048	5,779,092	9,552,589	15,331,681
1,547,212	3,193,963	2,410,742	3,389,355	5,800,097
2,145,356	4,231,757	3,113,377	5,851,742	8,965,119
5,671,420	7,301,943	3,449,012	10,365,810	13,814,822
897,136	1,336,571	473,149	1,773,604	2,246,753
1,734,918	2,642,744	1,026,958	3,636,051	4,663,009
6,007,588	6,007,588	-	6,538,019	6,538,019
1,442,750	1,772,345	724,193	3,255,442	3,979,635
755,498	2,473,483	2,088,273	1,614,933	3,703,206
1,055,681	1,411,584	398,343	1,418,687	1,817,030
1,352,206	3,080,784	2,361,962	2,070,990	4,432,952
1,828,296	3,888,786	3,356,781	4,799,619	8,156,400
3,024,238	3,772,129	943,285	5,306,525	6,249,810
4,371,661	7,094,735	3,159,472	8,895,852	12,055,324
2,553,591	5,544,311	3,782,772	5,187,257	8,970,029
1,270,890	1,795,054	699,578	2,498,314	3,197,892
1,927,515	3,401,472	2,429,617	4,173,427	6,603,044
2,216,758	3,664,462	2,048,657	3,569,089	5,617,746
2,471,500	4,943,572	3,905,987	6,787,178	10,693,165
2,586,185	3,861,255	1,416,514	4,528,309	5,944,823
459,061	1,642,339	1,294,623	593,862	1,888,485
3,346,202	5,483,687	2,737,607	4,929,043	7,666,650
-	-	-	103,572	103,572
-	-	-	-	-
2,016,203	3,427,564	3,462,659	5,559,052	9,021,711
5,482,886	10,017,009	5,520,293	9,979,846	15,500,139
3,010,386	4,920,467	2,405,041	5,271,420	7,676,461
1,638,062	3,261,283	1,684,766	3,211,209	4,895,975
1,594,751	2,473,943	887,837	1,939,766	2,827,603
878,094	1,433,996	636,997	1,286,642	1,923,639

**Table 7: Uncompensated Care Charges for PFY04**

Hospital	Inpatient Emergency Bad Debt	Inpatient Uncompensated Care	Total Allowable Inpatient Uncompensated Care	Outpatient Emergency Bad Debt
Mass. Eye & Ear Infirmary	355,280	437,339	792,619	744,850
Mass. General Hospital Corp.	8,223,816	68,563,724	76,787,540	7,719,165
Mercy Hospital	1,619,075	7,514,348	9,133,423	2,381,544
Metrowest Medical Center, Inc.	1,727,958	6,174,640	7,902,598	2,481,760
Milford-Whitinsville Hospital	227,468	2,525,004	2,752,472	2,138,548
Milton Hospital	98,115	447,828	545,943	880,672
Morton Hospital	273,824	1,491,000	1,764,824	2,543,618
Mount Auburn Hospital	622,491	2,775,606	3,398,097	1,105,444
Nantucket Cottage Hospital	30,846	175,336	206,182	404,486
Nashoba Valley	131,464	727,924	859,388	656,378
New England Baptist Hospital	-	287,380	287,380	-
New England Medical Center	2,042,336	15,046,850	17,089,186	(17,897)
Newton-Wellesley Hospital	538,836	2,747,911	3,286,747	1,813,644
Noble Hospital	149,868	1,071,457	1,221,325	752,631
North Adams Regional Hosp.	22,445	1,318,136	1,340,581	52,948
North Shore Medical Center	739,846	8,903,829	9,643,675	5,741,538
Northeast Hospital Corporation	-	5,026,180	5,026,180	1,675,624
Quincy Hospital	959,179	2,289,795	3,248,974	2,650,117
Saint Vincent Hospital	1,369,297	6,625,949	7,995,246	3,051,416
Saints Memorial	366,780	2,020,074	2,386,854	1,575,243
South Shore Hospital, Inc.	1,224,010	2,807,925	4,031,935	4,096,523
Southcoast	1,783,531	13,133,400	14,916,931	6,457,166
St. Anne's Hospital	818,425	2,700,563	3,518,988	2,422,354
St. Elizabeth's Hospital	1,069,917	6,567,496	7,637,413	918,746
Sturdy Memorial Hospital	237,699	1,704,436	1,942,135	1,686,325
UMass Memorial	3,575,146	33,813,526	37,388,672	8,062,168
Winchester Hospital	(12,013)	435,592	423,579	2,142,389
Wing Memorial Hospital	135,343	1,842,858	1,978,201	480,209
<b>Totals</b>	<b>73,172,826</b>	<b>475,871,606</b>	<b>549,044,432</b>	<b>159,138,805</b>

## Notes:

1. Data are based on uncompensated care charges reported by the hospitals from October 2003 through September 2004.
2. Kindred-North Shore reported no uncompensated charges for hospital FY04 (October 2003 through September 2004).
3. Bad debt is net of recoveries; therefore some facilities may have negative bad debt.
4. All data are unaudited and subject to change with future updates and calculations.



Outpatient Uncompensated Care	Total Allowable Outpatient Uncompensated Care	Net Total Emergency Bad Debt	Net Total Uncompensated Care	Total Uncompensated Care Charges
1,769,002	2,513,852	1,100,130	2,206,341	3,306,471
86,396,658	94,115,823	15,942,981	154,960,382	170,903,363
2,981,655	5,363,199	4,000,619	10,496,003	14,496,622
7,592,118	10,073,878	4,209,718	13,766,758	17,976,476
1,952,392	4,090,940	2,366,016	4,477,396	6,843,412
354,214	1,234,886	978,787	802,042	1,780,829
2,685,913	5,229,531	2,817,442	4,176,913	6,994,355
3,664,040	4,769,484	1,727,935	6,439,646	8,167,581
672,656	1,077,142	435,332	847,992	1,283,324
900,025	1,556,403	787,842	1,627,949	2,415,791
350,435	350,435	-	637,815	637,815
21,872,453	21,854,556	2,024,439	36,919,303	38,943,742
2,046,477	3,860,121	2,352,480	4,794,388	7,146,868
897,397	1,650,028	902,499	1,968,854	2,871,353
2,287,111	2,340,059	75,393	3,605,247	3,680,640
14,522,139	20,263,677	6,481,384	23,425,968	29,907,352
3,170,329	4,845,953	1,675,624	8,196,509	9,872,133
1,980,681	4,630,798	3,609,296	4,270,476	7,879,772
2,679,718	5,731,134	4,420,713	9,305,667	13,726,380
2,756,832	4,332,075	1,942,023	4,776,906	6,718,929
3,110,036	7,206,559	5,320,533	5,917,961	11,238,494
11,585,284	18,042,450	8,240,697	24,718,684	32,959,381
2,606,773	5,029,127	3,240,779	5,307,336	8,548,115
2,658,408	3,577,154	1,988,663	9,225,904	11,214,567
1,689,535	3,375,860	1,924,024	3,393,971	5,317,995
20,161,272	28,223,440	11,637,314	53,974,798	65,612,112
1,307,308	3,449,697	2,130,376	1,742,900	3,873,276
1,922,678	2,402,887	615,552	3,765,536	4,381,088
<b>731,358,775</b>	<b>890,497,580</b>	<b>232,311,631</b>	<b>1,207,230,381</b>	<b>1,439,542,012</b>

**Table 8: PFY04 Assessments and Payments**

Acute Care Hospitals	Private Sector Charges A	Hospital Uniform Assessment B	Annual Hospital Assessment C = A x B	Total Uncompensated Care Charges D	Cost-to- Charge Ratio E
Anna Jaques Hospital	64,373,197	1.265%	814,376	4,181,254	46.56%
Athol Memorial Hospital	17,083,750	1.265%	216,124	1,423,552	31.11%
Baystate Medical Center	433,637,016	1.265%	5,485,882	35,732,037	46.95%
Berkshire/Hillcrest	110,928,216	1.265%	1,403,337	13,126,869	51.97%
Beth Israel Deaconess Med Ctr	781,395,941	1.265%	9,885,332	65,351,856	38.87%
Beth Israel Deaconess Med Ctr- Needham	32,173,435	1.265%	407,022	641,522	37.30%
Boston Medical Center	298,560,988	1.265%	3,777,054	350,407,792	57.17%
Brigham & Women's Hospital	1,073,667,084	1.265%	13,582,813	84,603,987	34.65%
Brockton Hospital	132,377,897	1.265%	1,674,694	24,553,657	45.67%
Cambridge/Somerville Hospital	94,367,931	1.265%	1,193,836	170,536,459	68.23%
Cape Cod Hospital	165,399,753	1.265%	2,092,449	15,331,681	53.45%
Caritas Norwood	125,837,243	1.265%	1,591,949	5,800,097	41.56%
Carney Hospital	42,936,809	1.265%	543,188	8,965,119	57.96%
Children's Hospital	710,285,169	1.265%	8,985,719	13,814,822	48.87%
Clinton Hospital	13,244,562	1.265%	167,555	2,246,753	35.43%
Cooley Dickinson Hospital	76,871,909	1.265%	972,496	4,663,009	55.77%
Dana-Farber Cancer Institute	267,880,969	1.265%	3,388,925	6,538,019	39.67%
Emerson Hospital	196,757,861	1.265%	2,489,156	3,979,635	32.37%
Essent Health / Merrimac Vall	38,326,814	1.265%	484,867	3,703,206	40.07%
Fairview Hospital	15,178,100	1.265%	192,016	1,817,030	61.26%
Falmouth Hospital	73,750,377	1.265%	933,006	4,432,952	51.03%
Faulkner Hospital	169,468,610	1.265%	2,143,924	8,156,400	28.96%
Franklin Medical Center	56,377,628	1.265%	713,226	6,249,810	41.31%
Good Samaritan Medical Center	86,380,534	1.265%	1,092,788	12,055,324	52.43%
Hallmark Health	205,095,312	1.265%	2,594,632	8,970,029	42.92%
Harrington Memorial Hospital	41,137,984	1.265%	520,431	3,197,892	60.66%
Health Alliance	107,365,705	1.265%	1,358,269	6,603,044	44.96%
Henry Heywood Memorial Hosp.	69,678,186	1.265%	881,489	5,617,746	34.14%
Holy Family Hospital	111,911,009	1.265%	1,415,771	10,693,165	45.16%
Holyoke Hospital	50,051,234	1.265%	633,191	5,944,823	49.77%
Hubbard Regional Hospital	20,334,878	1.265%	257,254	1,888,485	48.10%
Jordan Hospital	154,996,185	1.265%	1,960,835	7,666,650	37.02%
Lahey Clinic Hospital, Inc.	380,451,817	1.265%	4,813,043	9,021,711	48.96%
Lawrence General Hospital	80,606,160	1.265%	1,019,737	15,500,139	44.76%
Lowell General Hospital	139,888,264	1.265%	1,769,707	7,676,461	37.38%
Marlborough Hospital	49,584,128	1.265%	627,282	4,895,975	32.46%
Martha's Vineyard Hospital	20,771,103	1.265%	262,772	2,827,603	47.99%
Mary Lane Hospital	20,195,392	1.265%	255,489	1,923,639	49.03%
Mass. Eye & Ear Infirmary	111,164,479	1.265%	1,406,326	3,306,471	48.29%
Mass. General Hospital Corp.	1,347,944,631	1.265%	17,052,660	170,903,363	29.83%

Allowable Uncompensated Costs F = D x E	Net Adjstd Allowable Uncompensated Care Costs G	Prospective Payment Amount H	Gross Shortfall I = G - H	Net Annual Liability (to) from the Pool J = H - C
1,946,792	1,946,792	1,329,370	617,422	514,994
442,867	442,867	339,902	102,965	123,778
16,776,191	16,776,191	9,059,339	7,716,852	3,573,457
6,822,034	6,822,034	3,117,526	3,704,508	1,714,188
25,402,266	25,402,266	16,025,713	9,376,553	6,140,382
239,288	239,288	170,610	68,678	(236,412)
200,328,135	141,028,135	115,799,508	25,228,627	112,022,454
29,315,281	29,315,281	18,370,829	10,944,452	4,788,016
11,213,655	11,213,655	8,932,038	2,281,617	7,257,344
116,357,026	55,657,026	39,375,151	16,281,875	38,181,315
8,194,783	8,194,783	5,617,019	2,577,764	3,524,570
2,410,520	2,410,520	1,563,807	846,714	(28,143)
5,196,183	5,196,183	3,616,704	1,579,479	3,073,517
6,751,304	6,751,304	11,336,683	(4,585,380)	2,350,964
796,025	796,025	743,078	52,947	575,522
2,600,560	2,600,560	1,465,838	1,134,722	493,342
2,593,632	2,593,632	1,714,683	878,949	(1,674,242)
1,288,208	1,288,208	766,295	521,913	(1,722,861)
1,483,875	1,483,875	992,647	491,227	507,780
1,113,113	1,113,113	525,049	588,064	333,033
2,262,135	2,262,135	1,232,481	1,029,655	299,475
2,362,093	2,362,093	1,566,246	795,848	(577,678)
2,581,797	2,581,797	1,823,519	758,277	1,110,294
6,320,606	6,320,606	3,202,490	3,118,117	2,109,701
3,849,936	3,849,936	2,485,523	1,364,414	(109,110)
1,939,841	1,939,841	1,188,159	751,683	667,728
2,968,729	2,968,729	1,763,332	1,205,397	405,063
1,917,898	1,917,898	1,351,577	566,321	470,088
4,829,033	4,829,033	2,592,445	2,236,588	1,176,674
2,958,738	2,958,738	1,621,153	1,337,586	987,961
908,361	908,361	565,782	342,579	308,529
2,838,194	2,838,194	1,916,147	922,047	(44,688)
4,417,030	4,417,030	3,647,918	769,112	(1,165,125)
6,937,862	6,937,862	4,763,377	2,174,485	3,743,640
2,869,461	2,869,461	1,901,994	967,467	132,287
1,589,233	1,589,233	1,078,154	511,079	450,872
1,356,967	1,356,967	684,420	672,546	421,648
943,160	943,160	518,957	424,204	263,468
1,596,695	1,596,695	992,772	603,923	(413,555)
50,980,473	50,980,473	26,803,006	24,177,467	9,750,345

**Table 8: PFY04 Assessments and Payments**

Acute Care Hospitals	Private Sector Charges A	Hospital Uniform Assessment B	Annual Hospital Assessment C = A x B	Total Uncompensated Care Charges D	Cost-to- Charge Ratio E
Mercy Hospital	103,890,631	1.265%	1,314,306	14,496,622	42.66%
Metrowest Medical Center, Inc.	266,825,277	1.265%	3,375,570	17,976,476	30.72%
Milford-Whitinsville Hospital	147,793,494	1.265%	1,869,715	6,843,412	35.76%
Milton Hospital	42,090,626	1.265%	532,483	1,780,829	44.93%
Morton Hospital	86,642,547	1.265%	1,096,103	6,994,355	43.36%
Mount Auburn Hospital	177,118,185	1.265%	2,240,698	8,167,581	47.07%
Nantucket Cottage Hospital	14,204,330	1.265%	179,697	1,283,324	85.34%
Nashoba Valley	41,548,086	1.265%	525,619	2,415,791	40.17%
New England Baptist Hospital	157,693,561	1.265%	1,994,959	637,815	45.17%
New England Medical Center	457,560,029	1.265%	5,788,528	38,943,742	36.37%
Newton-Wellesley Hospital	313,709,076	1.265%	3,968,690	7,146,868	35.83%
Noble Hospital	37,286,791	1.265%	471,710	2,871,353	40.82%
North Adams Regional Hosp.	49,670,863	1.265%	628,379	3,680,640	35.14%
North Shore Medical Center	259,656,489	1.265%	3,284,878	29,907,352	47.24%
Northeast Hospital Corporation	174,338,948	1.265%	2,205,538	9,872,133	47.73%
Quincy Hospital	58,248,707	1.265%	736,896	7,879,772	48.45%
Saint Vincent Hospital	181,967,481	1.265%	2,302,045	13,726,380	38.30%
Saints Memorial	92,867,585	1.265%	1,174,855	6,718,929	39.58%
South Shore Hospital, Inc.	267,896,893	1.265%	3,389,126	11,238,494	48.15%
Southcoast	287,285,841	1.265%	3,634,413	32,959,381	46.51%
St. Anne's Hospital	70,001,487	1.265%	885,579	8,548,115	39.82%
St. Elizabeth's Hospital	151,476,462	1.265%	1,916,308	11,214,567	45.83%
Sturdy Memorial Hospital	89,806,691	1.265%	1,136,132	5,317,995	53.41%
Umass Memorial	667,275,074	1.265%	8,441,604	65,612,112	40.46%
Vencor-Boston	8,365,601	1.265%	105,832	103,572	15.62%
Vencor-North Shore	2,917,027	1.265%	36,903	0	13.25%
Winchester Hospital	226,620,322	1.265%	2,866,942	3,873,276	45.76%
Wing Memorial Hospital	26,548,995	1.265%	335,868	4,381,088	63.85%
<b>Totals</b>	<b>12,449,745,359</b>	<b>1.265%</b>	<b>157,500,000</b>	<b>1,439,542,012</b>	<b>47.58%</b>

**Notes:**

1. In PFY04 a new Prospective Payment system was implemented, such that the final Annual Hospital payment amount for each hospital is calculated and fixed prior to the start of the new pool year.
2. Private Sector Charges (PSC) are derived from hospitals' UC Reports from June 2003 through May 2004 as included in the September PFY04 Calculation.
3. Total Uncompensated Care is derived from hospitals' UC Reports from October 2003 through September 2004.
4. Cost to Charge Ratios were prepared in July 2005 from the hospital FY04 final Cost to Charge Ratio using charge and cost data from the hospital FY04 HCF-403.
5. Net Adjusted Allowable Uncompensated Care Costs have been reduced by the supplemental payments to Boston Medical Center and Cambridge Health Alliance.
6. The shortfall for Children's Hospital is a negative amount due to the special add-on payment.
7. Salem and Union Hospitals' data have been merged to present as North Shore Medical Center.
8. All hospital reported data are unaudited and subject to change with future updates and calculations.

Allowable Uncompensated Costs F = D x E	Net Adjstd Allowable Uncompensated Care Costs G	Prospective Payment Amount H	Gross Shortfall I = G - H	Net Annual Liability (to) from the Pool J = H - C
6,184,259	6,184,259	3,187,138	2,997,121	1,872,832
5,522,373	5,522,373	3,848,545	1,673,828	472,975
2,447,204	2,447,204	1,505,107	942,097	(364,608)
800,126	800,126	537,126	263,001	4,643
3,032,752	3,032,752	1,720,521	1,312,231	624,419
3,844,480	3,844,480	3,064,133	780,347	823,435
1,095,189	1,095,189	942,604	152,585	762,907
970,423	970,423	377,939	592,484	(147,680)
288,101	288,101	352,749	(64,648)	(1,642,211)
14,163,839	14,163,839	8,840,926	5,322,913	3,052,398
2,560,723	2,560,723	1,805,045	755,677	(2,163,645)
1,172,086	1,172,086	693,760	478,326	222,050
1,293,377	1,293,377	1,327,943	(34,566)	699,564
14,128,233	14,128,233	8,635,162	5,493,071	5,350,284
4,711,969	4,711,969	3,860,563	851,406	1,655,025
3,817,750	3,817,750	2,593,096	1,224,654	1,856,200
5,257,204	5,257,204	3,869,542	1,387,661	1,567,497
2,659,352	2,659,352	1,939,993	719,359	765,138
5,411,335	5,411,335	2,596,157	2,815,178	(792,969)
15,329,408	15,329,408	9,204,137	6,125,272	5,569,723
3,403,859	3,403,859	1,661,154	1,742,706	775,574
5,139,636	5,139,636	3,115,463	2,024,173	1,199,155
2,840,341	2,840,341	1,601,154	1,239,188	465,022
26,546,661	26,546,661	13,738,697	12,807,964	5,297,092
16,178	16,178	694,461	(678,283)	588,629
-	-	-	-	(36,903)
1,772,411	1,772,411	1,212,211	560,200	(1,654,731)
2,797,325	2,797,325	1,256,208	1,541,117	920,340
<b>684,906,577</b>	<b>564,906,577</b>	<b>386,742,774</b>	<b>178,163,803</b>	<b>229,242,774</b>

- Boston Medical Center and Cambridge/Somerville Hospital's PFY02 charges were multiplied by 10% to project PFY03 charges. Projected PFY03 charges were multiplied by 10% to project PFY04 charges.
- Martha's Vineyard Hospital had not submitted Pool data since 1997. A PFY04 projected payment for Martha's Vineyard was calculated by using the best available data from the Division of Health Care Finance and Policy records and the HCF-403.

The Division adjusts the uncompensated care charges using the ratio of each hospital's reasonable costs to charges (column E), calculated by the Division based on each hospital's charges over costs and its efficiency relative to other hospitals. The result of this adjustment is the hospitals' Allowable Uncompensated Care Costs (column F) in Table 8.

Net Adjusted Allowable Uncompensated Care Costs (column G) are derived by subtracting out supplemental payments made directly to Boston Medical Center (\$59,300,000) and Cambridge Health Alliance (\$60,700,000) as offsets to uncompensated care. Another adjustment made to arrive at the Net Allowable UCP Costs required a distribution of the estimated Allowable Uncompensated Care Costs (totaling \$1,516,788) attributable to Waltham Hospital, which closed during PFY03 (Beth Israel, Boston Medical Center, Brigham & Women's, Cambridge/Somerville, Massa-

chusetts General, Mount Auburn Newton-Wellesley and Saint Elizabeth's). Net Adjusted Allowable Uncompensated Care Costs also includes, pursuant to 114.6 CMR 11.07 (1) (b) 2.b.1, a free standing pediatric hospital payment to Children's Hospital as an add-on (\$5,792,753).

Annual Hospital Payment (column H) is the prospective payment amount for each hospital calculated by applying the mandated payment percentages to "protected" hospitals, 85% for Boston Medical Center and Cambridge/Somerville, 88% for the other hospitals in bold type, and the remaining funding to all other hospitals. The Gross Shortfall (column I) in Table 8 is the amount of Allowable Uncompensated Care Costs that remains unpaid for each hospital after UCP payments are applied.

For informational purposes, Table 8 includes each hospital's Net Annual Liability to or from the Pool (column J), calculated by subtracting the hospital's assessment from its hospital payment. However, hospitals make and receive payments based on the gross amounts.

It is important to note that Table 8 incorporates updated uncompensated care charge data (column D) from October 2003 through September 2004 (PFY04), and updated cost to charge ratios (column E) which result in an updated projection of the shortfall amounts (column I).

#### ***PFY04 Projected and Actual Payment Percentages***

Table 9 summarizes the ratio of PFY04 Uncompensated Care payments to total

**Table 9: PFY04 Uncompensated Care Payments as a Percentage of Total UC Costs**

Hospital Category	PFY04 Payment Percentages (basis of prospective payments)	PFY04 Payment Percentages (based on actual costs)
DSH (85%)	85.0%	86.9%
Community-DSH (88%)	88.0%	69.4%
All Other Hospitals	78.0%	61.9%

**Table 10: Community Health Center Payments for Uncompensated Care, PFY03 and PFY04 Projections**

Community Health Center	PFY03*	PFY04*	Difference	% Change
Boston Health Care for the Homeless Program	\$ 725,160	\$ 687,399	\$ -37,761	-5.2%
Brockton Neighborhood Health Center	1,798,286	2,149,642	351,356	19.5%
Cape Cod Free Care Clinic-Falmouth	0	94,667	94,667	100.0%
Children's Health Program	129,469	205,960	76,491	59.1%
Community Health Connections	381,008	1,034,322	653,314	171.5%
Community Health Center of Franklin County	480,412	517,630	37,218	7.7%
Dimock Community Health Center	287,870	465,274	177,404	61.6%
Family Health and Social Service Center	1,217,025	1,792,021	574,996	47.2%
Fenway Community Health Center	132,327	169,393	37,066	28.0%
Geiger-Gibson Community Health Center	476,624	843,848	367,224	77.0%
Great Brook Valley Health Center	5,977,477	7,687,829	1,710,352	28.6%
Greater Lawrence Family Health Center	2,245,794	1,846,340	-399,454	-17.8%
Greater New Bedford Community Health Center	1,380,164	1,671,635	291,471	21.1%
Harvard Street Neighborhood Health Center	469,608	654,759	185,151	39.4%
Health First Family Care Center	454,219	362,782	-91,437	-20.1%
Hilltown Community Health Center	244,081	349,518	105,437	43.2%
Holyoke Health Center, Inc.	608,266	977,894	369,628	60.8%
Island Health Care Inc - MVY	0	8,496	8,496	100.0%
Joseph M. Smith Community Health Center	1,387,219	1,738,160	350,941	25.3%
Justice Resource Institute	73,373	66,749	-6,624	-9.0%
Lowell Community Health Center	609,142	627,429	18,287	3.0%
Lynn Community Health Center	2,446,257	3,575,532	1,129,275	46.2%
Manet Community Health Center	643,974	606,530	-37,444	-5.8%
Mattapan Community Health Center	848,999	661,024	-187,975	-22.1%
Mid-Upper Cape Community Health Center	67,162	286,394	219,232	326.4%
Neponset Health Center	560,244	600,211	39,967	7.1%
North End Community Health Center	176,160	185,896	9,736	5.5%
North Shore Community Health Center	325,513	471,314	145,801	44.8%
O'Neil Health Clinic, Inc.	146,230	208,957	62,727	42.9%
Outer Cape Health Services, Inc.	307,557	406,593	99,036	32.2%
Roxbury Comprehensive Community Health Center	724,587	843,159	118,572	16.4%
South Cove Community Health Center	1,109,627	1,951,040	841,413	75.8%
South End Community Health Center	409,015	573,352	164,337	40.2%
Springfield Southwest Community Health Center	380,902	616,344	235,442	61.8%
Stanley Street Treatment and Resources	281,942	288,622	6,680	2.4%
Upham's Corner Health Center	487,421	621,138	133,717	27.4%
Whittier Street Neighborhood Health Center	736,609	1,029,442	292,833	39.8%
<b>Total</b>	<b>28,729,723</b>	<b>36,877,295</b>	<b>8,147,572</b>	<b>28.4%</b>

\*Based on actual data of 12 months for PFY03 and PFY04.

**Table 11: PFY04 Pool Payments to Demonstration Projects**

	PFY97-PFY03	PFY04	Total PFY97-PFY04
<b>Legislative Contracts</b>			
Ecu-Health Care, Inc.	\$280,000	\$40,000	\$320,000
Hampshire Health Access	\$280,000	\$40,000	\$320,000
Fishing Partnership Health Plan	\$15,000,000	\$3,000,000	\$18,000,000
<b>Total:</b>	<b>\$15,560,000</b>	<b>\$3,080,000</b>	<b>\$18,640,000</b>

Uncompensated Care costs. It shows the difference between the payment percentages calculated using projected costs and the percentages calculated using actual costs. The projected payment percentages are the PFY04 payment projections as specified by legislation, while the actual payment percentages reflect up-to-date PFY04 charge data and cost to charge ratios.

#### ***Community Health Center***

##### ***Payments for Uncompensated Care, PFY04***

CHCs report monthly allowable uncompensated care costs. Prior to PFY04, CHCs were paid first out of the Uncompensated Care Trust Fund and were therefore always fully funded. In PFY04 a set amount was appropriated for payments to CHCs (\$36.9 million). This was a 29% increase in payments to CHCs over PFY03.

#### **Demonstration Projects**

In July 1997, the Massachusetts legislature enacted legislation (M.G.L. c.118G s.18) authorizing the Division to allocate up to \$10 million in Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Each demonstration project was required to demonstrate the potential to save the Pool at least \$1 for every dollar it received in

funding. None of the projects established cost-neutrality although two case management projects that targeted patients with congestive heart failure came close. Chapter 47 also designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. These three projects continued to receive Pool funding through state FY04.

#### ***Ecu-Health Care, Inc.***

##### ***and Hampshire Health Access***

The Division provides \$40,000 in Pool funds annually to each of the Ecu-Health Care projects in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents to affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no cost. In the state FY03 budget the legislature extended these projects through FY07.

#### ***The Massachusetts***

##### ***Fishermen's Partnership, Inc.***

The Fishing Partnership Health Plan (FPHP) offers fishermen and their families the opportunity to purchase health insurance at a reduced rate, made possible



**Table 12: Uncompensated Care: Sources and Uses of Funds (in \$ millions)**

Uncompensated Care Trust Fund (UCTF)	PFY03	PFY04
<b>Budgeted Revenue Sources</b>		
Hospital Assessment	170.0	157.5
Surcharge Collections	100.0	157.5
General Fund Contribution	30.0	140.0
<b>Other Funding Sources</b>		
General Fund Transfer <sup>1</sup>	15.0	35.0
Prior Year UCP Balance		28.0
Tobacco Settlement Fund Transfer	30.0	
Transfer of FFP pursuant to the Jobs & Growth Relief Rec Act of 2003 <sup>2</sup>		55.0
Supplemental Budget Appropriation to CHCs		3.0
Portion of Surplus Expended from PFY98, PFY99 Settlements		6.7
<b>Total Sources</b>	<b>345.0</b>	<b>582.7</b>
<b>Uses of Funds</b>	<b>PFY03</b>	<b>PFY04</b>
UCTF Pool Uses of Funds		
Hospitals	(310.0)	(386.7)
Audit Adjustments	0.0	0.0
Hospital Net After Audit Adjustments	(310.0)	(386.7)
Community Health Centers	(28.7)	(31.0)
Demonstration Projects (Historic Pool)	(3.1)	(3.0)
Administration/Data Collection	(1.0)	(2.0)
Reserves	(3.4)	0.0
Other UCTF Uses of Funds		
MassHealth Essential		(160.0)
<b>Total Uses</b>	<b>(346.2)</b>	<b>(582.7)</b>
<b>Uncompensated Care Pool: Financial Summary</b>	<b>PFY03</b>	<b>PFY04</b>
<b>Hospitals</b>		
Hospital Payments*	310.0	386.7
Net Allowable Uncompensated Care Costs**	(504.2)	(564.9)
<b>Hospital (Shortfall)/Surplus</b>	<b>(194.2)</b>	<b>(178.2)</b>
<b>Community Health Centers</b>		
Community Health Center Payments*	(28.7)	(31.0)
Net Allowable Uncompensated Care Costs**	(28.7)	(30.4)
<b>CHC (Shortfall)/Surplus</b>	<b>0.0</b>	<b>0.6</b>
<b>Uncompensated Care Gross (Shortfall)/Surplus</b>	<b>(194.2)</b>	<b>(177.6)</b>

<sup>1</sup> Pursuant to Chapter 26 of the Acts of 2003, section 618<sup>2</sup> Pursuant to Chapter 26 of the Acts of 2003, section 619

\* In PFY04, payment to hospitals and CHCs are fixed amounts based on statute, unlike payments in prior years.

\*\* Total Net Allowable Uncompensated Care costs are projected using the most current data available at the time of publication. This table contains projected numbers; other tables in this report may contain a different point-in-time calculation. For PFY03, other Supplemental Payments totaled \$70M annually. For PFY04, other Supplemental Payments are projected at \$120M.

**Table 13: Uncompensated Care Pool Settlements**

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Release of S. 56 Funds	Additional UCP Funding	MassHealth*** Essential or Seniors' and Childrens' Fund
**2004	Post YE Spec Dist Data	157,500,000	157,500,000	140,000,000	-	134,242,774	g. 160,000,000
**2003	Sep '03 Calculation*	170,000,000	100,000,000	45,000,000	-	30,000,000	f. -
**2002	Sep '02 Calculation*	170,000,000	100,000,000	30,000,000	-	102,000,000	e. 33,750,000
**2001	Jul 2001 Interim*	215,000,000	100,000,000	30,000,000	1,100,000	25,000,000	d. 44,250,000
**2000	Jan 2001 Interim*	215,000,000	100,000,000	30,000,000	15,000,000	24,000,000	c. 46,250,000
1999	FINAL	215,000,000	100,000,000	30,000,000	12,931	(13,908,923)	b. 11,750,000
1998	FINAL	215,000,000	100,000,000	30,000,000	4,000,000	(13,833,851)	a.
1997	FINAL	315,000,000		15,000,000	12,500,000		
1996	FINAL	315,000,000		15,000,000			
1995	FINAL	315,000,000		15,000,000			
1994	FINAL	315,000,000		15,000,000			
1993	FINAL	315,000,000		15,000,000			
1992	FINAL	300,000,000		35,000,000			
1991	FINAL	312,000,000		-			
1990	FINAL	312,000,000		-			

Note: All amounts are in dollars (\$).

\* Amounts subject to change at Interim and/or Final Settlement.

\*\* Reserves and Expenses includes funds set aside for Special Programs (e.g. Demonstration Projects).

\*\*\* PFY99-PFY02 Seniors & Childrens' Fund. PFY04 is MassHealth Essential Funding.

a. A portion of PFY98 Surplus was transferred to PFY00 (\$9,000,000), and an additional surplus (\$4,833,851) was applied to PFY04 and PFY05 funding.

b. PFY99 Surplus (\$13,908,893) was used as a supplement to PFY04 and PFY05 funding.

c. For PFY00, in addition to Sect. 56 funds, is \$9,000,000 from PFY98 Surplus (see reduction to PFY98 in this column) and \$15,000,000 in state FY01 Statutory Relief.

d. For PFY01, in addition to Sect. 56 funds, is \$10,000,000 in state FY01 Statutory Relief and \$15,000,000 in state FY02 Statutory Relief.

e. For PFY02, state FY02 statute provided \$45,000,000 to offset hospital assessment relief and an additional \$45,000,000 in Uncompensated Care Cost Funding. The state FY03 statute provided an additional \$12,000,000 for Uncompensated Care Funding (Shortfall Relief).

f. For PFY03, state FY03 statute provided \$30,000,000 in Shortfall Relief from Tobacco Fund.

g. For PFY04, state FY04 statute provided state contribution of \$140,000,000 from the General Fund; \$35,000,000 also from the General Fund pursuant to Sect. 619;

\$28,000,000 prior years' funds transferred for CHCs and further additions of \$55,000,000 from Jobs and Growth Tax Relief Act pursuant to Sect. 618;

and \$6,500,000 for CHCs from the Health Care Quality Improvement Trust Fund pursuant to Sect. 620. A Supplemental Budget provided an additional \$3,000,000 for CHCs.

Reserves and Expenses***	Community Health Center Payments	Balance Payable to Hospitals	Allowable Hospital UC Costs	Hospital Surplus/ (Shortfall)	Percent of UC Costs Paid	Hospital Uniform Assessment
5,622,705	36,877,295	386,742,774	564,906,577	(178,163,803)	68%	1.27%
6,270,277	28,729,723	310,000,000	466,626,189	(156,626,189)	66%	1.53%
11,530,924	22,469,076	334,250,000	372,880,175	(38,630,175)	90%	1.74%
6,801,885	17,747,789	302,300,326	340,551,566	(38,251,240)	89%	2.37%
5,885,959	15,735,998	316,128,043	326,848,612	(10,720,569)	97%	2.68%
2,958,178	14,491,604	301,904,226	301,904,226	-	100%	3.17%
2,543,188	16,026,457	316,596,504	316,256,534	339,970	100%	3.52%
-	16,031,038	326,468,962	430,959,137	(104,490,175)	76%	5.74%
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%
5,752,348	10,174,420	314,073,232	422,996,582	(108,923,350)	74%	6.89%
741,639	7,660,677	321,597,684	391,636,164	(70,038,480)	82%	6.93%
3,347,273	4,377,067	327,275,660	340,323,322	(13,047,662)	96%	8.51%
1,221,000		310,779,000	442,492,755	(131,713,755)	70%	9.86%
630,152		311,369,848	411,641,176	(100,271,328)	76%	10.18%

through subsidized premiums provided by the Pool. The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. In FY02 the state legislature allocated increased

funding from \$2 million to \$3 million a year effective FY03 through FY07.

The FPHP contracts with Tufts Health Plan to offer fishermen and their families a comprehensive benefit package that includes access to Tufts' network of providers, mental health services, and pharmacy

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coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen. Tier 1 members receive the most subsidies, equal to approximately 40% of the premium. As of September 2004, almost 46% of subscribers were in Tier 1. Tier 4 members, constituting just over 20% of the members, receive no premium subsidy.

Almost 2,100 fishermen and their family members are currently enrolled. The FPHP did not meet cost-neutrality in either of two methodologies used by the Division to evaluate the program in 2002. An updated analysis found that the FPHP is unlikely to become cost neutral.

### **Pool Settlements**

The Pool makes monthly payments to hospitals, and hospitals make monthly payments to the Pool on an estimated basis. Prior to PFY04, the Division of Health Care Finance and Policy calculated the payment amounts based on a rolling average of each hospital's most recently reported 12 months of uncompensated care and private sector charges, adjusted for industry trends.

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool year data are available. The final payments made based on this final calculation are referred to as the final settlement of the Pool fiscal year. At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid, based on final data. Factors that would cause the final payment to differ from the initial estimated payment include: a change in the amount of uncompensated care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-

up of charges over costs, a change in the hospital's overall payer mix, audit adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited uncompensated care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

The Division conducts interim settlements in order to ensure that as much funding as possible is available for Pool payments. The Division conducts an interim settlement as soon as 12 full months of uncompensated care charges and private sector charges are available for the Pool fiscal year, as well as an updated cost to charge ratio. Conducting interim settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Table 13 illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including payments to hospitals, payments to CHCs, and payments for the MassHealth Essential program. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool.

The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available Pool funds. No shortfall existed in PFY98 and PFY99. However, PFY00 demonstrated a shortfall as of the interim settlement. Projections for PFY01, PFY02, PFY03 and PFY04 indicate a continued shortfall. The percent of uncompensated care costs paid is the percent of hospitals' allowable uncompensated care costs that were paid by the Pool that year. The last column indicates the steadily

decreasing percentage of the uniform assessment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 8).

## **Pool Management**

### ***Audits***

The Division continues its audit activity. Compliance with the Division's regulations both ensures fairness and increases accountability among providers. Audits also enhance the Division's ability to complete final settlements on outstanding Pool years.

The Division selects providers for audit based upon providers' historical billings to the Pool, uncompensated care application

submissions, and other reporting requirements. Field audit teams visit hospitals and collect samples of uncompensated care applications and patient records to ensure that they comply with the laws and regulations governing uncompensated care.

The Division's audit activities have had an educational focus, emphasizing a collaborative effort between the agency and providers to learn and implement the regulations. A goal of the audits has been to identify issues and correct them system-wide through training. The Division has also used audits to inform Pool policy development. The Division has made adjustments to providers' payments from the Pool that will be implemented upon final settlement.

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# Production Notes

**T**he Division's *Uncompensated Care Pool PFY04 Annual Report* was researched and produced by the Division of Health Care Finance and Policy. The Division is solely responsible for its content and distribution.

Publication design, editing, page layout and the originals for this document were produced in-house using cost-effective,

electronic desktop publishing software and microcomputer equipment.

The *Uncompensated Care Pool PFY04 Annual Report* was printed and assembled at the Department of Procurement and General Services, Office of Central Reprographics. The report was prepared for general distribution at the Division of Health Care Finance and Policy.

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Copies of this report are available from the  
Division of Health Care Finance and Policy  
Office of Publications and Web Portal Operations

Publication of this document approved by Ellen Bickelman, State Purchasing Agent  
Publication Number: C.R. 1085  
Printed on recycled paper.

